

Message Text

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ORIGIN OPIC-06

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R 032250Z JAN 75

FM SECSTATE WASHDC

TO AMEMBASSY KUALA LUMPUR

UNCLAS STATE 001478

E.O.11652:NA

TAGS: EINV MY

SUBJ: FOREIGN GOVERNMENT APPROVAL (FGA) PROBLEMS

REF: STATE 257485; STATE 197859; STATE 241054

1. COMMERCIAL ATTACHE REICHENBACH AND OPIC MCGUIRE
CONFERRED NOVEMBER 6, 1974 MINISTER TRADE AND INDUSTRY'S
DEPUTY SECRETARY GENERAL VICTOR DE BRUYNE ENDEAVOR SECURE
FGA'S NECESSARY BEFORE OPIC USSE INSURANCE MOTOROLA
(APPLICATION 483-72-447) AND RCA (483-74-087). DURING
MEETING DE BRUYNE INDICATED HE WOULD TAKE ACTION TO RESOLVE
FAVORABLY THE PROBLEMS DELAYING GRANTING FGA'S.

2. TWO PRINCIPAL PROBLEMS ARE AS FOLLOWS:

A. THE INDUSTRIES DIVISION WITHIN MTI HAS FOR SOME
MONTHS BEEN WITHHOLDING FGA REQUESTED BY MOTOROLA ASIA LTD.
(MAL), A HONG KONG CORPORATION WHOLLY OWNED BY MOTOROLA
INTERNATIONAL DEVELOPMENT CORPORATION (OF U.S.) BECAUSE MAL
NOT U.S. CORPORATION. SUCH POSITION INCONSISTENT AS OPIC
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PROGRAMS ARE AVAILABLE TO FOREIGN SUBSIDIARIES AND BUSINESSES

CONTROLLED 95 PERCENT OR MORE BY U.S. CITIZENS AND/OR CORPORATIONS AND BEACUSE MALAYSIA HAS IN PAST APPROVED COVERAGE (I) DOW CHEMICAL N.V., A NETHERLANDS CORPORATION WHOLLY OWNED BY DOW (OF U.S.), FOR EQUITY INVESTMENT IN PACIFIC CHEMICALS BERHAD, (II) ANSUL (FAR EAST) SDH BHD, AND (III) AS RECENTLY AS JULY 1974 RCA INTL. LTD. A BERMUDA CORPORATION WHOLLY OWNED BY RCA CORPORATION (OF U.S.), FOR \$6.5 MILLION PORTION EQUITY INVESTMENT IN RCA SDN BDH. REASONS FOR TAKING FLEXIBLE VIEW THIS PROBLEM SET FORTH REFTELS. TWO OTHER PENDING APPLICATIONS MOTOROLA 483-74-222 AND AUSTRALIAN CARBON BLACK 483-74-077 ALSO REPRESENT INVESTMENTS MADE BY NON-U.S. CORPORATIONS WHOLLY OWNED BY U.S. CORPORATIONS.

B. IN ADDITION, AND OF CONSIDERABLE IMPORTANCE, MALAYSIA WITHHOLDING FGA FOR RCA TOTAL U.S. \$5 MILLION EQUITY INVESTMENT IN RCA SDN BHD UNTIL COMPLETE INVESTMENT HAS BEEN MADE. MALAYSIA HAS RAISED NO SUCH POINT IN PAST APPROVALS. CONTINUATION THIS TREATMENT MIGHT BE DISINCENTIVE NEW INVESTMENT AND LESSEN EFFECTIVENESS OF OPIC EFFORTS TO ENCOURAGE SUCH INVESTMENT.

3. THE FGA RELATES ONLY TO APPROVAL OF OPIC INSURANCE. INVESTORS' FOR VARIOUS REASONS, WANT POLITICAL RISK AS WELL AS OTHER INSURANCE WELL BEFORE THE INVESTMENT HAS BEEN FULLY MADE AND BUSINESS OPERATIONS BEGUN.

4. OPIC URGENTLY REQUESTS EMBASSY CALL UPON DE BRUYNE FOR DETERMINATION MTI RESOLUTION THESE TWO IMPORTANT PROBLEMS SO THAT INSURANCE CONTRACTS FOR MOTOROLA AND RCA MAY BE ISSUED. THE MOTOROLA INVESTMENT HAS BEEN MADE AND RCA STATES IT WILL INJECT U.S. \$1,323,000 BALANCE OF ITS U.S. \$5 MILLION INVESTMENT BY END THIS MONTH.

5. WE WOULD ALSO APPRECIATE KNOWING THE EXTENT TO WHICH THE GOM PRESENTLY REQUIRES THE EMBASSY TO COMMENT ON THE BENEFITS OF A PROJECT TO MALAYSIA 2ND TO VOUCH FOR THE INVESTOR IN ORDER FOR THE GOM TO CONSIDER GRANTING THE FGA. KISSINGER

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